

# "SOCIAL CREDIT"

## Lesson 1 -- HISTORY and CHARACTER

1. "Adam Smith was the first great political economist. Since his day there have been only two others, Karl Marx and Major Douglas. All the rest have been and are economists without political sense or vision.

Adam Smith laid the foundation for Capitalism; Karl Marx for Communism and Major Douglas for economic democracy."—Current History, May, 1933.

2. Major Douglas was considered a brilliant engineer and began his career in India in the early part of the Century, in charge of the Westinghouse interests. He soon found that in any undertaking assigned to him there were financial anomalies to contend with which were far more effective in impeding his work than the physical realities he faced.

3. The Controller General of India, who was his friend, often used to dwell on financial anomalies, invariably concluding his remarks with the statement that gold and silver have very little to do with the industrial situation while 'Credit' had everything to do with it. This gave the mind of Douglas a focus that it has never lost.

4. After writing his articles in the English Review Major Douglas began to explain his ideas in "The New Age", a London Weekly edited by A. R. Orage.

5. From 1919 to 1922 Major Douglas and Mr. Orage made determined efforts to get the Social Credit scheme considered and adopted. The depression after the war was more or less favorable to them. Two books by Major Douglas appeared: Economic Democracy (1920) and Credit Power and Democracy (1921). The latter contained a draft scheme for the mining industry of Britain.

These efforts however failed and the first chapter of the Social Credit Movement ended with the adverse report of the British Labor Party in power in the House of Commons.

6. This investigation is worthy of our attention. The impetus, demanding an investigation of Social Credit came from the Scottish Labor groups which had become interested in Social Credit in 1920. Their communication contained the following definite statement:—

"We are convinced that bank credits are one of the main constituents of selling prices; and that no final solution of the problem is possible that does not bring the issue of Credit and the fixing of selling prices under the Community's control."



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The whole matter was referred to the Central Labor Government's Executive, which appointed a Committee to look into what they termed the "Douglas New-Age Credit Scheme."

This Committee invited Major Douglas and Mr. Orage to appear before it on May 24th, 1921.

The Authors of the Scheme protested on the grounds:—

(1) That, with one exception, the Committee had no direct knowledge or experience of the concrete problems of business management or of the operations of practical finance.

(2) That the majority of the Committee was already committed to the support of economic dogmas expressly challenged by Social Credit.

Without hearing Major Douglas or Mr. Orage, therefore, the Committee prepared a report and issued it sixteen months later, condemning the Social Credit Scheme.

The reason given for its rejection was that it was fallacious to state that the rate of flow of purchasing power into the hands of consumers is not and never can be adequate to purchase the goods available to them. In other words they disputed the A+B theory.

7. The Second Chapter of the Social Credit Movement was from 1922—1930. During this time Major Douglas wrote two additional books:—

The Control and Distribution of Production (1922) and Social Credit (1924).

8. The third and most rosy chapter of Social Credit opened in 1930 with the appearance of Major Douglas before Lord Macmillan's Committee on Finance and Industry. Since then the ideas of Major Douglas have come to the fore in circles of intelligent discussion.

Over 10,000 Englishmen, among them some of England's keenest brains are convinced that Social Credit is the only way out of their present difficulties.

On March 11th, 1932, Major Douglas drafted a plan for the Scottish Nationalist Movement which was published in the Glasgow Evening Times. It created much discussion.

In South Africa there are numerous Social Credit Groups.

There are no less than sixteen Social Credit Members in the New Zealand Parliament, who are ably led by Captain Rushworth. In a recent speech he confidently declared, "Given the chance to apply Social Credit to New Zealand, I will guarantee to establish prosperity within three months. I stake my life on the remedy." Major Douglas is now visiting New Zealand (Dec. 1933).

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In Australia there are a thousand Douglas Credit Societies and over 100,000 solid supporters. In 1921 Professor Irvine, holding the Economics Chair in the University of Sydney set Major Dougals's 'Economic Democracy' as the text book for honors in Economics.

The New South Wales Government has recently promised to make an official enquiry into the subject.

In the United States it is growing very rapidly. The New Economics Group of New York has prepared a plan for the State of New Jersey, which has been submitted to New Jersey officials and the Chambers of Commerce of that State.

9. Up to the present time, the System has not been tried out. With some this is looked upon as a serious detriment to Social Credit. It is surely evident however that all new things must be given a chance to demonstrate their true worth. We must shake off the traditional type of mind which fears to try anything that has not been proven by actual experience to be well-founded. We shall never make progress thus.

That dear old Mother who wanted her boy to learn to swim but objected to him going near the water is an example of a backwoods idea that will lead us no where. That boy will never learn to swim until he is dumped overboard some time and has to swim or drown.

We are told today that our people will not attempt to solve the present serious problem because of their traditional attitude of mind, until from abject poverty they are forced to do something or starve to death.

What is needed today is the engineering type of mind, that tests by all the principles of scientific research and then tries it out in practice.

The question in a time of crisis is not, has it been tried and proven, but has it all the principles of economic progress in it?

In its introduction sufficient scaffolding can be maintained to prevent a collapse of any kind.

## THE SOCIAL CREDIT CONCEPT

10. It is essential, at the very beginning that we comprehend properly the concept of Social Credit, which is the basis of this new economic viewpoint.

We must be able to distinguish Social Credit from Real Credit and also from Financial Credit.

(a) Credit means the right or ability to purchase goods or services.



(b) Real Credit is the Credit which arises from the power to deliver goods or services as, when, and where required.

If a State or Nation has no coal and coal is required, that Nation may secure it, if it has Real Credit. If it has the power to deliver, say, wheat as, when, and where required to the people with the coal.

It is estimated that the Province of Alberta has sufficient real credit to supply goods and services as, when, and where required for 1000 years, and we would not really have scratched its surface.

(c) Financial Credit is that form of Credit which arises from the Financier's valuation of our real Credit.

When a City or a Province has secured loans to such an extent that it is only able to pay the interest but cannot pay any of the principal it has reached the financial limit of its real Credit.

Just as soon as it becomes evident that the State is no longer able to pay the interest in full, Finance finds it necessary to have a Commission appointed to take over the reigns of government, and the people have no longer the right of self-government. A recent example of this is found in New Foundland.

Financial Credit is thus a constant drain on Real Credit. By its interest claims which are compounded from year to year, it finally gets such a grip on real Credit that it draws off its very life-blood. Such is our present dilemma.

(d) Social Credit is that form of Credit which arises from the association of individuals together which enables them to make use of the goods and services as, when, and where delivered, before they are destroyed, disintegrated or seized by others.

It involves a flow of real Credit that manifolds its usefulness. It is the unearned increment of real Credit secured by association. It is possible for a Province such as Alberta to have an enormous real Credit as stated above and yet be unable to use the same. It may be able to supply goods as, when, and where needed, but the people may be unable to use the same through lack of purchasing power because of the draining of Real Credit by Financial Credit.

Social Credit differs from Financial Credit in that it gives the Consumer the advantage of the increment of association.

12. Most people understand the meaning of increment of property. A piece of land increases often times from twice to a thousand fold simply because a town, a city, or a colony of people settled there and can make great use of it.



The value of association together for self-protection or co-operative support is also well-known.

If each individual had to weave the cloth and make his own clothing; tan the leather, and make his own shoes; grow and secure his own food and housing; travel to far-away lands for spices and fruits, many would have little of the comforts they now have. Our association together has increased our powers of provision a thousand fold.

The same can be done by Social Credit.

### **SOCIAL CREDIT ILLUSTRATED**

13. In the year 1930, the internal trade (excluding exports and imports) is placed at \$4,800,000,000 in the Canada Handbook issued by the Dominion Government. During that time there was only about \$184,000,000 money. Hence you see that even in that fearful year of the crash, Social Credit enhanced Financial Credit 26 times. The extreme caution of the Financiers placed a brake on the flow of Credit or Social Credit would not have been limited to a ratio of only 26 to one.

### **THE REMEDY FOR THE PRESENT DEPRESSION**

14. Some people have difficulty in understanding the remedy of our present depression, because they do not comprehend Social Credit, or in fact any credit sufficiently to see where the difficulty lies.

They think that nothing can be done without Financial Credit or sound money. They must either borrow this or make it. If they borrow it, they increase their debt. If they make it, it will inflate the currency and bring with it all the disadvantages of an inflated currency. They do not stop to ask what difference there is between borrowing the money and making it. It seems impossible for them to see that money or Financial Credit interferes with the full operation of Social Credit. As a matter of fact Social Credit will function without the use of much money.

15. The following quaint illustration was given over the National Radio Broadcast one evening:—

Two Irishmen had a barrel of beer worth \$15.00 that they decided to retail at 10c. a glass. Pat had a tap, a glass, and a till at one side and Mike was similarly equipped at the other.

No business came. There was a financial depression.

By chance, Mike discovered a 10c. piece in his pocket, went to Pat, and purchased a glass of beer. Pat, in turn, used the same 10c. piece to buy one from Mike.

Thus they continued until the whole barrel was consumed. They did \$15.00 worth of business with a 10c. piece.



The same thing could have been done with an I.O.U. instead of a 10c. piece. For the point under discussion, it matters not where the beer came from. It may have been home-brewed or what not. Neither does it matter if they had any more beer. The present problem is one of distribution not of production.

Machinery and Scientific discovery have carried us well on the road of production. It is in the sphere of distribution where we linger behind. Social Credit works in this realm most efficiently even without the use of Financial Credit.

16. Social Credit is largely a matter of bookkeeping transactions, gauged at one end by the bare necessities of living and at the other by an automatic price control. What Major Douglas contemplates is a bookkeeping operation which will automatically expand and decrease the volume of purchasing power in relation to the rise and fall of prices.

17. His System of Social Credit is more or less simple. There will be no confiscation, no expropriation, no nationalizing of banks, no socializing of lands nor of industries, no class war, no revolution.

The chief objection is that the Douglas proposals are too good to be true. It is like the Christian Gospel. What the individual cannot do in that he is weak through the flesh, the Kingdom of Heaven has perfected and offered without money and without price.

18. The student must learn to distinguish (a) the Douglas System of Social Credit, in which the principles of Social Credit are set forth, and (b) a Social Credit plan of its adaptation to any state, community or industry.

So many confuse these in thought. I have heard some discussing the plan for Scotland as if they were examining the system of Social Credit as applied to Canada.

The principles of electricity are the same wherever it is found. The plan of lighting a room may differ with the style or kind of the room or with the whims or the artistic taste of the owner.

We have as yet no Douglas Plan for Alberta, but we have a proposed adaptation in print for the citizens to discuss and alter as they see fit.

It is surely evident that the plan for Scotland will not be satisfactory for Alberta. The character of the people are different. The mould of the industrial activity differs. The population is not so thickly settled. Many reasons might be given for this.

It is the business of our citizens to formulate and revise our own particular plan for this province.



Resolved that,—To continue will get no results. (Agreed)



GIVE DOUGLAS A CHANCE



## QUESTIONS THAT HAVE BEEN ASKED

1. Who is this Major Douglas? Sect. 1 to 7.
2. What are the names of his books? Sect. 5 and 7.
3. Did Major Douglas prepare a plan for any community that had not control of its money issue or its exports and imports? Sect. 5.
4. Was the Douglas System of Social Credit ever investigated? Sect. 6.
5. Why was it not accepted? Sect. 6.
6. Did Major Douglas ever present a plan for a Nationalist State, with full powers of finance and export trade? Sect. 8.
7. Is Major Douglas's Social Credit System being received with much interest in other parts of the world? Sect. 8.
8. Has any action been taken in the U.S.? Sect. 8.
9. Has the System ever been tried out as yet? Sect. 9.
10. What is the difference between Financial, Real, and Social Credit? Sect. 10.
11. Which involves purchasing power, Social or Real Credit? Sect. 10 d.
12. Does Social Credit require Sound Money? Sect. 14.
13. In what realm does Social Credit work most efficiently? Sect. 15.
14. Compare Social Credit and Bookkeeping. Sect. 16.
15. Does Social Credit involve Socialization, Nationalization, Confiscation, or Expropriation? Sect. 17.
16. What is the difference between the Douglas System and a Social Credit Plan? Sect. 18.
17. Has Major Douglas given us a plan for Alberta. Sect. 18.
18. Why will not the plan for Scotland do for Alberta? Sect. 18.
19. Should Social Credit be introduced into Alberta until it has been tried in some other other country? Sect. 9.
20. What is the limit of Financial Credit? Sect. 10 c.
21. What is the effect of Financial Credit on Real Credit? Sect. 10 c.
22. Could a Province have an enormous Real Credit and yet be not able to use it? Explain. (Sect. 10 d).
23. What is meant by the increment of Association? Illustrate. Sect. 12.
24. What is meant by the traditional type of mind? Sect. 9.